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United States of America

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,
Plaintiff,
v.
APPROXIMATELY \$133,803.53 IN U.S.
CURRENCY SEIZED FROM WASHINGTON
MUTUAL BANK, N.A., ACCOUNT
#4420842802, HELD IN THE NAME OF
ADVANTAGE FINANCIAL GROUP HOLDINGS
MANAGEMENT LLC, and
APPROXIMATELY \$328,495.75 IN U.S.
CURRENCY SEIZED FROM WASHINGTON
MUTUAL BANK, N.A., ACCOUNT
#4412174338, HELD IN THE NAME OF
LOOMIS WEALTH SOLUTIONS LLC,
Defendants.

**VERIFIED COMPLAINT FOR
FORFEITURE *IN REM***

Plaintiff, United States of America, by and through its
undersigned attorney, in a civil case of forfeiture *in rem*,
alleges that:

I. JURISDICTION AND VENUE

1. This Court has jurisdiction in this matter pursuant to
28 U.S.C. §§ 1345 and 1355(a).

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1 2. This Court has venue in this matter pursuant to 28
2 U.S.C. §§ 1355(b) and 1395(a).

3 3. The defendants in this action are described as
4 approximately \$133,803.53 in U.S. Currency seized from Washington
5 Mutual Bank, N.A., Account #4420842802, held in the name of
6 Advantage Financial Group Holdings Management LLC, and
7 approximately \$328,495.75 in U.S. Currency seized from Washington
8 Mutual Bank, N.A., Account #4412174338, held in the name of
9 Loomis Wealth Solutions LLC (hereafter "the defendant funds").

10 4. The defendant funds were seized on or about
11 August 27, 2008, at Washington Mutual Bank, N.A., located at 801
12 K Street, Suite 110, Sacramento, California, pursuant to Federal
13 seizure warrants. The defendant funds are in the custody of the
14 U.S. Marshals Service for the Eastern District of California.

15 **II. OVERVIEW**

16 5. The details of the fraud scheme are set forth in the
17 Declaration of Kathleen Nicolls, Special Agent, U.S. Department
18 of Justice, Federal Bureau of Investigation, dated
19 February 17, 2009, attached hereto and incorporated herein as
20 **Exhibit A.**

21 **III. CLAIMS FOR RELIEF**

22 **FIRST CLAIM FOR RELIEF**

23 **18 U.S.C. § 981(a)(1)(C)**

24 **Forfeiture of Defendant Funds as Proceeds
Based on Violation(s) of 18 U.S.C. § 1014
(Loan and Credit Fraud)**

25 6. The United States incorporates the allegations set forth
26 above in paragraphs 1 through 5 as though fully set forth herein.

27 7. Lawrence L. Loomis and others made a false statement or
28 report for the purpose of influencing in any way the action of a

1 Federal Reserve bank, a Federal credit union, an insured
2 State-chartered credit union, any institution the accounts of
3 which are insured by the Federal Deposit Insurance Corporation
4 upon any application, advance, discount, purchase, purchase
5 agreement, repurchase agreement, commitment, or loan (or any
6 change or extension of any thereof), by renewal, deferment of
7 action or otherwise, or the acceptance, release, or substitution
8 of security therefor, in violation of 18 U.S.C. § 1014, and
9 conspired to commit such offense in violation of 18 U.S.C. § 371.

10 8. The defendant funds are property, real or personal,
11 which constitute or are derived from proceeds traceable to
12 violations of 18 U.S.C. § 1014 (loan and credit fraud). The
13 defendant funds are therefore subject to forfeiture to the United
14 States pursuant to 18 U.S.C. § 981(a)(1)(C).

15
16 **SECOND CLAIM FOR RELIEF**
18 U.S.C. § 981(a)(1)(C)
Forfeiture of Defendant Funds as Proceeds
17 **Based on Violation(s) of 18 U.S.C. § 1028(a)(7)**
18 **(Identification Documents Fraud)**

19 9. The United States incorporates the allegations set
20 forth above in paragraphs 1 through 5 as though fully set forth
21 herein.

22 10. Lawrence L. Loomis and others knowingly transferred,
23 possessed or used, without lawful authority, a means of
24 identification of another person with the intent to commit, or to
25 aid or abet, or in connection with, any unlawful activity that
26 constitutes a felony under any applicable State or local law, in
27 violation of 18 U.S.C. § 1028(a)(7), and conspired to commit such
28 offense, in violation of 18 U.S.C. § 371.

11. The defendant funds are property, real or personal, which constitute or are derived from proceeds traceable to violations of 18 U.S.C. § 1028(a)(7) (identification document fraud), a "specified unlawful activity" as defined in 18 U.S.C. § 1956(c)(7)(A) and 18 U.S.C. § 1961 (incorporated therein). The defendant funds are therefore subject to forfeiture to the United States pursuant to 18 U.S.C. § 981(a)(1)(C).

THIRD CLAIM FOR RELIEF
18 U.S.C. § 981(a)(1)(C)
Forfeiture of Defendant Funds as Proceeds
Based on Violation(s) of 18 U.S.C. § 1341
(Mail Fraud)

12. The United States incorporates the allegations set forth above in paragraphs 1 through 5 as though fully set forth herein.

13. Lawrence L. Loomis and others, having devised or intending to devise a scheme to defraud, or for obtaining money or property by means of false or fraudulent pretenses, used the Postal Service or any private or commercial interstate carrier, in furtherance of said scheme in violation of 18 U.S.C. § 1341, and conspired to commit such offense in violation of 18 U.S.C. §§ 371 and 1349.

14. The defendant funds are property, real or personal, which constitute or are derived from proceeds traceable to violations of 18 U.S.C. § 1341 (mail fraud), a "specified unlawful activity" as defined in 18 U.S.C. § 1956(c)(7)(A) and 18 U.S.C. § 1961 (incorporated therein). The defendant funds are therefore subject to forfeiture to the United States pursuant to 18 U.S.C. § 981(a)(1)(C).

FOURTH CLAIM FOR RELIEF

18 U.S.C. § 981(a)(1)(C)

**Forfeiture of Defendant Funds as Proceeds
Based on Violation(s) of 18 U.S.C. § 1343
(Wire Fraud)**

15. The United States incorporates the allegations set forth above in paragraphs 1 through 5, as though fully set forth herein.

16. Lawrence L. Loomis and others, having devised or intending to devise a scheme or artifice to defraud or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, transmitted or caused to be transmitted, by means of wire communication in interstate or foreign commerce, any writings for the purpose of executing such scheme or artifice, in violation of 18 U.S.C. § 1343, and conspired to commit such offense in violation of 18 U.S.C. §§ 371 and 1349.

17. The defendant funds are property, real or personal, which constitute or are derived from proceeds traceable to violations of 18 U.S.C. § 1343 (wire fraud), a "specified unlawful activity" as defined in 18 U.S.C. § 1956(c)(7)(A) and 18 U.S.C. § 1961 (incorporated therein). The defendant funds are therefore subject to forfeiture to the United States pursuant to 18 U.S.C. § 981(a)(1)(C).

FIFTH CLAIM FOR RELIEF

18 U.S.C. § 981(a)(1)(C)

**Forfeiture of Defendant Funds as Proceeds
Based on Violation(s) of 18 U.S.C. § 1344
(Bank Fraud)**

18. The United States incorporates the allegations set forth above in paragraphs 1 through 5, as though fully set forth herein.

1 19. Lawrence L. Loomis and others knowingly executed or
2 attempted to execute a scheme or artifice - (1) to defraud a
3 financial institution; or (2) to obtain any of the moneys, funds,
4 credits, assets, securities, or other property owned by, or under
5 the custody or control of, a financial institution, by means of
6 false or fraudulent pretenses, representations, or promises, in
7 violation of 18 U.S.C. § 1344, and conspired to commit such
8 offense in violation of 18 U.S.C. §§ 371 and 1349.

9 20. The defendant funds are property, real or personal,
10 which constitute or are derived from proceeds traceable to
11 violations of 18 U.S.C. § 1344 (bank fraud), a "specified
12 unlawful activity" as defined in 18 U.S.C. § 1956(c)(7)(A) and 18
13 U.S.C. § 1961 (incorporated therein). The defendant funds are
14 therefore subject to forfeiture to the United States pursuant to
15 18 U.S.C. § 981(a)(1)(C).

16
17 **SIXTH CLAIM FOR RELIEF**
18 **18 U.S.C. § 981(a)(1)(A)**
19 **Forfeiture of Defendant Funds as Property**
20 **Involved in Violation(s) of 18 U.S.C. § 1956(a)**
21 **(Money Laundering)**

22 21. The United States incorporates the allegations set
23 forth above in paragraphs 1 through 5, as though fully set forth
24 herein.

25 22. Lawrence L. Loomis and others, knowing that the
26 property involved in a financial transaction represents the
27 proceeds of some form of unlawful activity, conducted or
28 attempted to conduct such a financial transaction which in fact
involves the proceeds of "specified unlawful activity," as
defined in 18 U.S.C. § 1956(c)(7)(A) and 18 U.S.C. § 1961(1)

(incorporated therein), to wit: violations of 18 U.S.C. §§ 1028(a)(7) (identification documents fraud), 1341 (mail fraud), 1343 (wire fraud) and 1344 (bank fraud), all in violation 18 U.S.C. § 1956(a).

23. The defendant funds are properties, real or personal, involved in a transaction or attempted transaction in violation of 18 U.S.C. § 1956, or are properties traceable to such property, and are therefore subject to forfeiture to the United States pursuant to 18 U.S.C. § 981(a)(1)(A).

SEVENTH CLAIM FOR RELIEF

18 U.S.C. § 981(a)(1)(A)

**Forfeiture of Defendant Funds as Property
Involved in Violation(s) of 18 U.S.C. § 1957(a)
(Illegal Monetary Transaction)**

24. The United States incorporates the allegations set forth above in paragraphs 1 through 5, as though fully set forth herein.

25. Lawrence L. Loomis and others knowingly engaged and attempted to engage in a monetary transaction by, through, or to a financial institution, in criminally derived property of a value greater than \$10,000, such property having been derived from a "specified unlawful activity," as defined in 18 U.S.C. § 1956(c)(7)(A) and 18 U.S.C. § 1961(1) (incorporated therein), to wit: violations of 18 U.S.C. §§ 1028(a)(7) (identification documents fraud), 1341 (mail fraud), 1343 (wire fraud) and 1344 (bank fraud), all in violation 18 U.S.C. § 1957(a).

26. The defendant funds are properties, real or personal, involved in a transaction or attempted transaction in violation of 18 U.S.C. § 1957(a), or are properties traceable to such property, and are therefore subject to forfeiture to the United

1 States pursuant to 18 U.S.C. § 981(a)(1)(A).

2 WHEREFORE, plaintiff prays that:

3 1. Process issue according to the procedures of this Court
4 in cases of actions *in rem*;

5 2. Any person having an interest in said defendant funds be
6 given notice to file a claim and to answer the complaint;

7 3. This Court enter a judgment of forfeiture of said
8 defendant funds to the United States; and

9 4. For such relief as the Court may deem proper.

10 DATED: February 17, 2009

LAWRENCE G. BROWN
Acting United States Attorney

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12
13 /s/ Saralyn M. Ang-Olson
SARALYN M. ANG-OLSON
14 Special Assistant U.S. Attorney
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VERIFICATION

I, Special Agent Kathleen Nicolls, hereby verify and declare under penalty of perjury that I am a Special Agent with the United States Department of Justice, Federal Bureau of Investigation, that I have read the foregoing Verified Complaint for Forfeiture *In Rem* ("Verified Complaint") and know the contents thereof, and that the matters contained in the Verified Complaint are true to the best of my knowledge and belief.

The sources of my knowledge and belief are the official files and records of the United States, information supplied to me by law enforcement officers, as well as my investigation of this case, together with others, as a Special Agent of the United States Department of the Justice, Federal Bureau of Investigation.

I hereby verify and declare under penalty of perjury that the foregoing is true and correct.

Dated: 2/17/2009

/s/ Kathleen Nicolls
KATHLEEN NICOLLS
Special Agent
United States Department of Justice
Federal Bureau of Investigation

(Original signature retained by attorney)

EXHIBIT A

DECLARATION OF KATHLEEN NICOLLS

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 27

**DECLARATION OF KATHLEEN NICOLLS
IN SUPPORT OF COMPLAINT FOR FORFEITURE *IN REM***

I, Kathleen Nicolls, declare under penalty of perjury that:

I. Background And Expertise Of Special Agent Nicolls

1. I am a Special Agent with the Federal Bureau of Investigation ("FBI"), presently assigned to the Sacramento office. I have been employed as a Special Agent since September 2006. As part of my duties and responsibilities, I investigate loan and credit fraud, mail fraud, wire fraud, bank fraud, and money laundering under 18 U.S.C. §§ 1014, 1028(a), 1341, 1343, 1344, 1956 and 1957. I have attended training in various aspects of criminal investigation as well as classes and seminars dealing specifically with money laundering, asset seizure and forfeiture, various financial investigative techniques, and related financial investigations.

2. I have learned the facts of this investigation from my own personal involvement, as well as from Special Agent Christopher S. Fitzpatrick of the Internal Revenue Service (Criminal Investigation), and other agents working on this case.

II. Description Of Property Subject To Forfeiture

3. This declaration is submitted in support of the Government's Verified Complaint for Forfeiture *In Rem*. The property subject to forfeiture (collectively, "defendant funds") consists of:

- A. Approximately \$133,803.53 in U.S. Currency seized from Washington Mutual Bank, N.A., account #4420842802, held in the name of Advantage Financial Group Holdings Management LLC (the "AFGHM Account"); and
- B. Approximately \$328,495.75 in U.S. Currency seized from Washington Mutual, N.A., account #4412174338, held in the name of Loomis Wealth Solutions LLC. (the "LWS Account").

4. These funds were seized on or about August 27, 2008, pursuant to valid seizure warrants issued by the Honorable Dale A. Drozd, United States Magistrate Judge of the Eastern District of California on August 26, 2008.

5. Because this declaration is submitted for the limited purpose of filing a civil *in rem* forfeiture complaint, I have set forth only the facts that I believe are necessary to comply with Rule G(2)(f) of the Supplemental Rules for Admiralty or Maritime Claims and Asset Forfeiture Actions, and Rules 8 and 9(b) of the Federal Rules of Civil Procedure. I have not set forth all of the information revealed in this still ongoing investigation.

III. Violations Of Substantive Criminal Statutes

6. I believe that the funds described in Paragraph 3A and Paragraph 3B above are traceable to violations of 18 U.S.C. §§ 371, 1014, 1028(a)(7), 1341, 1343, 1344, 1349, 1956, and 1957.

7. In particular, I have probable cause to believe that the following substantive statutes have been violated:

18 U.S.C. § 1014 makes it unlawful for anyone who knowingly makes a false statement or report for the purpose of influencing in any way the action of a Federal Reserve bank, a Federal credit union, an insured State-chartered credit union, any institution the accounts of which are insured by the Federal Deposit Insurance Corporation upon any application, advance, discount, purchase, purchase agreement, repurchase agreement, commitment, or loan (or any change or extension of any thereof), by renewal, deferment of action or otherwise, or the acceptance, release, or substitution of security therefor;

18 U.S.C. § 1028(a)(7) makes it unlawful for a person to knowingly transfer, possess or use, without lawful authority, a means of identification of another person with the intent to commit, or to aid or abet, or in connection with, any unlawful activity that constitutes a felony under any applicable State or local law;

18 U.S.C. § 1341 makes it unlawful for anyone who, having devised or intending to devise a scheme to defraud, or for obtaining money or property by means of false or fraudulent pretenses, to use the Postal Service or any private or commercial interstate carrier, in furtherance of said scheme;

18 U.S.C. § 1343 makes it unlawful for anyone who, having devised or intending to devise any scheme to defraud, or for obtaining money or property by means of false or fraudulent pretenses, to use the interstate wires in furtherance of said scheme;

18 U.S.C. § 1344 makes it unlawful for a person to knowingly execute or attempt to execute a scheme or artifice - (1) to defraud a financial institution; or (2) to obtain any of the moneys, funds, credits, assets, securities, or other property owned by, or under the custody or control of, a financial institution, by means of false or fraudulent pretenses, representations, or promises;

18 U.S.C. § 1349 makes it unlawful for any person to attempt or conspire to commit any fraud offense as set forth in 18 U.S.C. §§ 1341 through 1350;

18 U.S.C. § 1956(a)(1)(A)(i) makes it unlawful for any person, knowing that the property involved in a financial transaction represents the proceeds of some form of unlawful activity, to conduct, or attempt to conduct such a financial transaction which in fact involves the proceeds of a specified unlawful activity with the intent to promote the carrying on of the specified unlawful activity;

18 U.S.C. § 1957 makes it unlawful for any person to knowingly engage or attempt to engage in a monetary transaction in criminally derived property of a value greater than \$10,000 and is derived from specified unlawful activity; and

18 U.S.C. § 371 makes it unlawful for two or more persons to conspire either to commit any offense against the United States, or to defraud the United States, or any agency thereof in any manner or for any purpose, where one or more of such persons does any act to effect the object of the conspiracy.

IV. Applicable Forfeiture Statutes

8. I believe that because of the violations noted in the Paragraphs 6 and 7 above, the defendant funds are subject to forfeiture pursuant to 18 U.S.C. § 981(a)(1)(A), § 981(a)(1)(C) and § 984.

9. In particular, the defendant funds are subject to civil forfeiture under **18 U.S.C. § 981(a)(1)(C)** because they constitute property, real or personal, derived from proceeds traceable to a violation of, in relevant part, 18 U.S.C. § 1014, § 1028(a)(7), § 1344, or to any offense constituting a "specified unlawful

activity" as defined in § 1956(c)(7), which in turn incorporates the definition of "specified unlawful activity" as set forth in 18 U.S.C. § 1961(1). Under 18 U.S.C. § 1961(1), identification documents fraud (18 U.S.C. § 1028), mail fraud (18 U.S.C. § 1341), wire fraud (18 U.S.C. § 1343), and bank fraud (18 U.S.C. § 1344) are "specified unlawful activities."

10. The defendant funds are subject to civil forfeiture under **18 U.S.C. § 981(a)(1)(A)** because they constitute any property, real or personal, involved in a transaction or attempted transaction in violation of **U.S.C. §§ 1956(a)(1)(A)(i)** or any property traceable to such property, to wit: Loomis and associates conducted the financial transactions or attempted transactions with the intent to promote the carrying on of a "specified unlawful activity" (as defined in § 1956(c)(7) and, incorporated therein, in 18 U.S.C. § 1961(1)), in the violations of 18 U.S.C. § 1028 (identification documents fraud), § 1341 (mail fraud), § 1343 (wire fraud), and § 1344 (bank fraud).

11. The defendant funds are subject to civil forfeiture also under **18 U.S.C. § 981(a)(1)(A)** because they constitute property, real or personal, involved in transactions or attempted transactions in violation of **18 U.S.C. § 1957(a)** or any property traceable to such property, to wit: Loomis and his associates knowingly engaged or attempted to engage in a monetary transaction in criminally derived property of a value greater than \$10,000 and is derived from a "specified unlawful activity" (as defined in § 1956(c)(7) and, incorporated therein, in 18 U.S.C. § 1961(1)), in violation of 18 U.S.C. § 1028 (identification documents fraud), § 1341 (mail fraud), § 1343 (wire fraud), and § 1344 (bank fraud).

12. Furthermore, **18 U.S.C. § 984** provides that in any forfeiture action *in rem* in which the subject property is cash, monetary instruments in bearer form, or funds deposited in an account in a financial institution, the Government need not identify the specific property involved in the offense that is the basis for the forfeiture; and it will not be a defense that the funds involved in the offense have been removed and replaced by identical property.

V. Overview Of Loomis Wealth Solutions' Ponzi And Real Estate Mortgage Fraud Scheme

13. Since at least 2006, directors of Loomis Wealth Solutions, Nationwide Lending Group, the NARAS Secured Fund #2 LLC, and/or related entities, have been running a large, multi-tiered Ponzi investment scheme, involving securities fraud and real estate mortgage fraud. The fraudulent activities are estimated to span approximately six states and involve approximately 500 properties. Losses are estimated at approximately \$100 million.

14. In this scheme, straw buyers, also known as nominee-investors as further described herein, were used to purchase the properties. They were told that the purchases were investments on which they would receive a handsome return while Loomis Wealth Solutions made the mortgage, tax and insurance payments. However, Loomis Wealth Solutions stopped making payments by spring of 2008. By August 2008, Loomis informed investors that they would have to pay their own life insurance payments and cover all the mortgage, tax, and insurance payments coming due on their respective properties, or that their loans would go into default. Ultimately, many loans went into default.

15. Except where noted otherwise, I obtained the information set forth in Paragraphs 16 through 23 from interviewing numerous investors (and/or reviewing the reports of those interviews) who were unwittingly victims of Loomis' scheme, as well as other people who had intimate knowledge of Loomis' entities and their practices.

A. "Tier 1" of Loomis' Investment Scheme

16. **Luring Targeted Investors Through Promises.** At public investment seminars, Lawrence Leland "Lee" Loomis ("Loomis") solicited individuals to become members of his company, Loomis Wealth Solutions,¹ and to purchase investment properties through the company's three-tiered investment program. Loomis targeted families with substantial home equity, retirement accounts, and/or good credit and invited them to private two-day workshops that he conducted. Loomis promised to serve as an unpaid financial advisor. Loomis obtained individuals' personal financial information such as tax returns, pay stubs, copies of bills, and information concerning their home equity and/or retirement plans.

17. Furthermore, Loomis used the United States mails to solicit investors into his Ponzi scheme.

18. **Life Insurance Policy Purchase.** Under Loomis' scheme, an investor who purchased a whole life insurance policy that was indexed to the stock market would qualify as a "Tier 1" investor.

¹One confidential witness, CW1, stated the following during an interview with agents in or around August, 2008: Loomis was previously based in Illinois, where Loomis controlled a company named Advantage Financial Group ("AFG"). In May 2005, the name of the company changed to Advantage Financial Group Holdings, LLC. Loomis changed the name of his company frequently in order to avoid paying taxes. In early 2006, Loomis opened an AFG office of his company in Chico, California, with Jay Grivette. In 2007, Loomis moved his company to Roseville, California and renamed it Loomis Wealth Solutions. On July 31, 2008, Loomis opened a business checking account in the name of Advantage Financial Group Holdings Management LLC, which is the account holder of the AFGHM Account (one of the sources of defendant funds). At the time the AFGHM Account was opened, Loomis had sole signatory authority.

Loomis promised investors that his overall program was so profitable, that if they agreed to become "Tier 2" investors, he would even advance the cost of their life insurance policies for the first year, lending them the substantial monthly premiums of around \$1,300. Loomis did not disclose that he obtained a referral fee from the life insurance company of approximately \$25,000 for each policy paid for one year.

B. "Tier 2" of Loomis' Investment Scheme

19. **Taking Investors' Home Equity and/or Retirement Account Funds.** Investors became "Tier 2" investors when they removed most of the equity from their primary residence and/or transferred retirement account funds, and used them to purchase "units" of the NARAS Secured Fund #2 LLC (the "NARAS Fund"). In this fashion, Loomis Wealth Solutions took the equity from the investors' homes and/or retirement funds, and invested them in the NARAS Fund. Loomis falsely misrepresented to investors that retirement funds could be rolled-over and invested in Loomis Wealth Solutions and the NARAS Fund without tax consequences. This was false because there were, in fact, tax consequences to doing so.

20. **The NARAS Fund.** The NARAS Fund was a purported \$10,000,000 private placement of unregistered securities under Regulation D of the Securities Act of 1933. Each unit cost \$25,000.00. The NARAS Fund was controlled by John Hagener, Loomis' father-in-law, who used an entity called Lismar Financial Services, LLC, to manage the NARAS Fund. To potential investors, Loomis guaranteed a 12% annual return on investment. According to the NARAS Fund Private Placement Memorandum provided to some investors, investments in the NARAS Fund were to be used to fund

subprime mortgages, and the company was to take a second position (lien) on those mortgaged investment properties. Based on the investigation to date, I have probable cause to believe that Loomis did not use the funds for the stated purpose.

Investigation has further revealed that Loomis and John Hagener controlled the NARAS Fund, and that the NARAS Fund and its management entity were merely alter egos of Loomis and John Hagener.

21. During 2007 and 2008, NARAS Fund investors were mailed periodic statements showing their ever-increasing "balance" in the NARAS Fund. Investors interviewed by agents confirmed that their monthly NARAS Fund statements were mailed to them through the United States mail and/or through electronic mail. During his interview with agents on or around August 15, 2008, Loomis corroborated this information.

22. **False Representations About NARAS Fund.** Through at least July of 2008, Loomis represented to investors an ever-increasing balance in their respective NARAS Fund accounts. However, according to CW1 in an interview with agents on August 18, 2008, the NARAS Fund was during that time being depleted. Furthermore, in an interview with agents on August 15, 2008, Loomis admitted that the dollar balances on monthly NARAS Fund statements mailed through United States mail to investors were not truly reflective of the true balance in the account.

23. The NARAS Fund statements mailed to investors were fictitious. According to the monthly NARAS Fund statements provided to three investors (D.T., R.Y., and R.D.), respective account balances as for the period of July 1, 2008 through July

31, 2008, were purportedly \$110,000.00, \$90,650.33, and \$365,494.93. As of July 31, 2008, then, as to these investors the account balance on the NARAS Fund was purportedly \$566,145.26 in total. According to records analyzed from Washington Mutual Bank, N.A., however, the ending balance on the NARAS Fund's bank account as of July 31, 2008 was in reality approximately \$14,475.35. As of mid-August, 2008, in fact, according to records obtained from Washington Mutual Bank, N.A., the NARAS Fund - by which Loomis had guaranteed to investors 12% annual returns - had only \$1,700 remaining in the account. This new balance was not disclosed to investors. According to another confidential witness, "CW2," every NARAS Fund statement produced was fraudulent.

24. The following information was obtained from records of Washington Mutual Bank, N.A., as to the account held in the name of NARAS Secured Fund #2, LLC, for the period August 29, 2007 through July 31, 2008. The signature card reflected that the account was opened on or around August 29, 2007. John Hagener was authorized as a signatory of the bank account. The monthly bank statement mailing address was 2424 Professional Drive, Roseville, California. According to the bank statements for this account, between August 29, 2007 and July 31, 2008, (less than a one-year period), there were approximately \$9,645,899.25 in deposits into the account and \$9,631,607.59 in withdrawals from the account. Bank records show that these withdrawals include transfers to the LWS Account to pay operating expenses of Loomis Wealth Solutions. Based on the investigation to date, I have probable cause to believe that the funds in the NARAS Fund account were proceeds of fraud. The subsequent movement of the NARAS Fund monies to the LWS Account to pay mortgages to third-parties promoted the mortgage fraud in "Tier 3" of the overall

scheme. These movements of monies were made in violation of Title 18, United States Code, Section 1956(a)(1)(A)(i).

25. Except where noted otherwise, I obtained the information set forth in this paragraph from interviewing another confidential witness, "CW3." The monthly balance on the NARAS Fund statements shown to investors (also referred to as members) would be stated as a dollar amount, always increasing by the promised 12%. Investigation has revealed that, in reality, the NARAS Fund was being depleted as follows: Some of the money from the NARAS Fund was used for down payments for member investment properties. Most of the money was paid to Loomis Wealth Solutions and Advantage Financial Group Holdings LLC for operating expenses. Money from the NARAS Fund was also used to pay Loomis approximately \$400,000 per year in compensation and to pay employees such as Christopher Warren ("Warren"), Lisa Loomis (Loomis' wife), and Paul Hagener (her brother) annual salaries of approximately \$225,000, \$40,000, and \$140,000, respectively. Investigation has revealed that Loomis paid the insurance premiums out of the investor's own money that went into the NARAS Fund. CW1 told agents that other money from the NARAS Fund was also paid to North State Property Management, which was controlled by Loomis. CW1 stated that North State Property Management was supposed to manage the members' investment properties as rental properties and to pay mortgages from the rental income. Based on my training and experience, I have probable cause to believe that this use of the NARAS Fund investor money to pay the mortgages is evidence of a Ponzi scheme.

26. **Hallmarks of a Ponzi Scheme.** Based on my training and experience, I know that it is the hallmark of a Ponzi scheme for

the subject to make periodic payments to investors consistent with the promised rate of return, despite the fact that such payments cannot be justified based on the performance of the investment, if any. These "lulling" payments are usually alleged to be the capital appreciation of the investor funds but are, in fact, payments made to investors so as not to arouse suspicion and to keep investors from asking for a refund or withdrawal of their principal. Typically, as here, the investment is not appreciating and the payments to earlier investors are made using money from new investors.

C. "Tier 3" of Loomis' Investment Scheme

27. Except where noted otherwise, I obtained the information set forth in Paragraphs 28 through 29 from interviewing investors and other people who had intimate knowledge of Loomis' entities and their practices.

28. **Investors Purchasing Homes As Nominees.** After investing their home equity and/or retirement funds into the NARAS Fund, investors were offered the chance to become "Tier 3" investors. "Tier 3" investors were matched with residential real estate in California, Florida, Arizona, Colorado, Nevada, and Illinois that Loomis and his entities selected. Loomis promised investors that he would be responsible for paying all mortgages and taxes, as well as management of the investment properties. Loomis represented to investors that they would receive at least \$300 per property per month from the "positive cash flow" resulting from the property rentals. The investors understood that they were "nominees," meaning that their names and identities would be used for Loomis' entities to obtain properties. Loomis placed the investors on title as nominees to

the properties. Later, after missing multiple mortgage and tax payments, Loomis told investors that, going forward, the investors would be responsible for all mortgage, tax and other property obligations.

29. False Promises On Purported Investment Returns.

Loomis told his "Tier 3" investors that his property management companies would place renters into the homes, manage the properties, collect the rent, pay the mortgages, and pay the monthly insurance premiums. He guaranteed investors a positive cash flow of at least \$300 per month per property in what was called the "shared equity program." Investors T.E. and D.S. confirmed that Loomis made these promises to them. Investor D.S. confirmed that Loomis offered to distribute these profits to investors on a monthly basis, but strongly urged investors to apply it toward their life insurance premiums. Many of the homes were never rented out. Yet, Loomis and his employees would lie to investors, telling them that the properties were rented and that the properties were generating a cash flow. Investigation has revealed that these falsehoods were repeated not only to individual investors, but also to lenders, in order to have "nominee" members qualify for the purchase of additional investment properties for which they would not otherwise have been able to qualify.

30. Real Estate Documents Fabricated. Except where noted otherwise, the following was revealed to agents in the course of investigation. In furtherance of "Tier 3" of Loomis' investment scheme, certain persons known to Loomis as "mortgage helpers" were employed at Loomis Wealth Solutions, Nationwide Lending Group, and its associated entities, to assemble investors' financial data and falsify loan applications. They used

sophisticated computer programs to scan and alter W-2 forms, tax returns, and other financial documents. Many of the investors who purchased homes through Loomis would never have qualified to purchase multiple investment properties without the falsification of documents that Loomis directed Warren and others to do.

D. Builder Bailout Scheme

31. Loomis' Ponzi scheme also included a builder bailout scheme involving undisclosed "cash back to buyer" deals, in which Loomis Wealth Solutions received many tens of thousands of undisclosed dollars per transaction.

32. Except where noted otherwise, I obtained the information set forth in Paragraphs 33 through 34 from interviewing CW1 on or around August 19, 2008.

33. **Discounts to Loomis-Related Entities, While Full Price to Investors.** Loomis Wealth Solutions partnered with Michael Llamas and Peter Woodward of LW Premier Holdings, LLC ("LWPH") and other entities they controlled, to approach new home and condominium builders across multiple states, including California, Florida, Arizona, Colorado, and Nevada. Loomis Wealth Solutions contracted with these builders to purchase distressed homes in bulk from builders at substantial discounts from the public listing price. Those discounts were never disclosed to the lenders.

34. For example, the Michael Llamas entity would "purchase" 50 or more homes at a discount ranging from 35% to 50% per home. The discount was styled the "option price." However, unbeknownst to Loomis' nominee investors, they bought

these homes through Loomis at the full price (also known as the "purchase price"), not the option price. These nominee investors were not told that Loomis and LWPB were splitting a "referral fee" equal to 35% to 50% of the purchase price upon close of escrow. Loomis and Llamas obtained inflated appraisals on these properties, which were passed along to lenders. By way of example, a home that Loomis and Llamas "obtained" for \$200,000, for example, would be sold the same day to the member for \$400,000. The appraisal would come in at \$410,000. Loomis, John Hagener and Warren would then falsify loan applications in order to qualify the member to purchase the property. The bank would fund the loan at 80% of the purchase price: \$320,000 (not being aware that the real value was \$200,000). The builder would be paid \$200,000 of these proceeds at close of escrow. That would provide \$120,000 fraud proceeds for Loomis and Llamas to split.

35. **Admissions of Loomis.** During his interview with agents on or around August 15, 2008, Loomis demonstrated detailed knowledge of this Option Contract/Joint Venture scheme. Loomis claimed that he was aware of only some falsification of loan documents at Loomis Wealth Solutions. He said that he never reported these crimes to authorities because he believed they were isolated incidents. He also felt that Christopher Warren, who was only 25 at the time, should not be punished. Moreover, Loomis argued that he (Loomis) acted "in good faith" and did not have "an intent to defraud." Thus, he concluded, he did not have "criminal intent."

36. **Inflated Appraisals and Falsified Appraisal Reports.** Investigation has revealed that under the contracts with the builders, appraisals were "guaranteed" on each home to come in approximately \$10,000 above the purchase price. Loomis obtained

appraisal reports containing inflated values for the properties that matched the inflated property values in the contracts prepared by Loomis and/or his entities. Loomis and/or his associates showed investors the appraisals, to make his investors believe that they were getting a deal below fair market value. CW1 believed that Grivette and another employee spoke to appraisers in order to ensure that properties were appraised at the appropriate value and that Loomis' company made a profit. One appraiser from Appraiser Networking Services was predominately used to appraise the properties. Even though he lived in Southern California, he or one of his employees would appraise properties in Northern California. Moreover, CW3 stated that some of the investment properties the investors were purchasing were located in depressed neighborhoods, but that investors were not aware of this because the properties that they were purchasing were not located in their area. Appraisers were paid by the business debit card from Washington Mutual Bank, N.A., held in the name of AFP of California, a Loomis-related entity. According to CW1, some of the properties were "disgusting and terrible" and not worth the money that the Loomis investors paid.

37. Except where noted otherwise, I obtained the information set forth in Paragraphs 38 through 40 from interviewing another confidential witness, "CW5."

38. CW5 was taught how to use DW Professional System software to alter existing appraisal reports and admitted to agents to having changed the names of the buyer listed on the appraisal reports. For example, if Member A was scheduled to purchase an investment property but they changed their mind, CW5 would use the software program to erase Member A's name from the

appraisal report and replace the name with Member B. At Loomis Wealth Solutions, CW5 was instructed to change buyers' names on the appraisal reports at least 100 times.

39. **Simultaneous Submissions of Loans for Different Properties to Different Lenders.** Warren told CW5 and those known as personal account managers ("PAMs") to intentionally submit multiple loans to different lenders at the same time in order to avoid detection on the member's credit report.

40. **Fraudulent HUD-1 Statements.** Loomis and his associates provided lenders with fraudulent HUD-1 statements that concealed the fact that the true purchase price of the homes was only 65% of what was reported. (The HUD-1 is a settlement closing statement which, under Federal law, is used to itemize who receives what money during the escrow closing process). Loomis was aware of such fraudulent activities taking place at Loomis Wealth Solutions. CW5 witnessed Krista Merwin, Loomis' daughter, create two fraudulent final HUD-1 statements for the same investment property using a software program that Warren purchased. Warren directed his assistant to create these fraudulent statements.

41. **Falsified Verifications of Deposits.** In order to secure financing for the purchase of investment properties, when lenders requested verifications of deposits ("VOD's"), CW1 verified that there were sufficient funds in the members' NARAS Fund accounts. CW1 signed the VOD's on behalf of the members who did not invest in the NARAS Fund and created accounts for those members under Loomis' instructions. By signing the VODs, CW1 was representing falsely that the members had money invested in the NARAS Fund. According to CW5, Loomis also directed CW5 and PAMs

to declare on the loan applications that the given member had a NARAS Fund account, when in fact, the member never invested in the NARAS Fund. CW5 stated that Loomis told the PAMs, "if they don't have an account, put one on there." CW5 witnessed one PAM creating fraudulent verification of deposit forms regarding the NARAS Fund, and also witnessed another PAM create both fraudulent lease agreements and NARAS Fund statements indicating a member had a account, when in fact the member never invested in the NARAS Fund.

42. CW3 confirmed that frequently there were insufficient funds in the accounts at the right time to make an adequate showing to the lenders on investors' verifications of deposits. Therefore, according to CW3, it was necessary to wire money into investors' accounts, get a printout from the bank, and then wire the money back into Loomis' bank account. CW3 stated that sometimes it would take getting new investors with fresh cash to be able to fill up these other accounts with the necessary money to show on the verifications of deposits from the banks for new investments. I know from training and experience that this manipulation of a borrower's assets is a material fraud on the lender.

43. Except where noted otherwise, I obtained the information set forth in Paragraphs 44 through 47 from interviewing CW5.

44. **False Rental Information on Loan Applications.** On loan applications, CW5 falsely represented that members' investment properties were rented and that such properties were earning rental income for the applicants, when in fact those properties were never rented. Loomis told the PAMs to make sure

to list on the loan application as "little negative cash-flow as possible" pertaining to the rental income. Loomis told the PAMs it was "okay" to falsely list the members as having received rental income because Loomis was paying the mortgages on the properties. I know from training and experience that falsification of rental income on earlier-acquired investment properties alters the borrower's debt-to-income ratio. The debt-to-income ratio is material to a lender's decision whether to finance another investment property.

45. **Inflated Income Levels on Loan Applications.** CW5 and PAMs falsely inflated the gross monthly income listed on loan applications, in order for the members to qualify for the loans. I am aware that inflated income alters the debt-income ratio and can induce lenders to authorize funds to applicants who are not, in reality, qualified. CW5 had to increase the members' gross monthly income when they acquired more investment properties. As early as September 2006, Loomis directed his employees to inflate members' gross monthly income on the loan applications. CW1 further confirmed that if a member did not have the income to qualify for a loan, the PAMs created income that was not true. This inaccurate income was listed on the members' loan applications, according to CW1.

46. **Fabricated Lease Agreements.** CW5 and others also created fraudulent lease agreements. CW5 also witnessed PAMs Nicole Serpa and Jason Watson create fraudulent lease agreements. The false lease agreements were provided to lenders to document rental income. In truth, neither the lease agreement nor the rental income existed.

47. **Forged Signatures.** CW5 forged the signatures of members' names on various mortgage documents to include loan applications, truth-in-lending statements, IRS Form 4506, good faith estimates, final HUD-1 statements, and other miscellaneous mortgage documents. CW5 saw PAMs doing the same.

48. **Kickbacks.** Another confidential informant, "CW4," stated that Loomis Wealth Solutions bought new houses from certain developers. According to CW4, a particular builder would kickback to a Loomis entity at least 20% to 30% of the sale price on each house that Loomis was able to sell to a member of Loomis Wealth Solutions. CW3 corroborated this information and advised that at least three deals involving kickbacks of at least \$20,000, one of which was for approximately \$42,000.

49. **Loomis' Fraudulent Real Estate Transactions in Collaboration With Entities Also Permeated in Fraud.** Loomis engaged in numerous fraudulent real estate transactions, including those with LW Premier Holdings, LLC and with Lender Services Direct, Inc.

50. **LW Premier Holdings, LLC.** One particular builder, "BW1," was in negotiations with LW Premier Holdings, LLC ("LWPH") for the purchase of bulk homes. Loomis Wealth Solutions was to provide to the builder purchasers (members/investors) who were in a position to purchase the homes. Witnesses from BW1 were interviewed on or around August 5, 2008. BW1 provided the information set forth in this paragraph, except as noted otherwise. On or around November 1, 2007, a contact person at LWPH phoned a BW1 representative. LWPH negotiated a 32.5% discount applicable to all homes by BW1 sold to LWPH in the bulk sale. A written agreement was signed that stated that if LWPH

assigned a home sale to a third party, LWPH would receive an "assignment fee" similar to that of a finders' fee of upwards of 32.5% for homes sold to third parties. Representatives of BW1 initially believed that only LWPH would purchase bulk properties, but became increasingly concerned of potential fraud when they learned that individual buyers were to purchase homes through LWPH, possibly at significantly higher price than LWPH had negotiated with BW1. Employees of BW1 informed Loomis investors of the true prices of the homes. According to BW1 representatives, this angered employees of LWPH. Next, LWPH provided photocopies of 48 individual checks, each for \$5,000, that it purported were deposits on behalf of Loomis' investors. Employees of LWPH claimed that these checks had been sent to Lender Services Direct, the escrow company of Joseph Gekko (as explained further in Paragraph 51 below). All the checks were written on a bank account held in the name of the NARAS Fund, and issued from a bank in Roseville, California. All 48 checks were signed by the same person. The signer of these checks indicated that when the checks were signed, there were insufficient funds in the NARAS Fund account to cover the checks.

51. ***Lender Services Direct, Inc.*** CW1 told agents about the relationship between Loomis Wealth Solutions and Lender Services Direct, Inc. ("LSD"), operated by Joseph Gekko. CW1 stated that LSD is an unlicensed third-party escrow company that Loomis used almost exclusively to close multiple fraudulent real property transactions in multiple states. According to CW1, Gekko used what was known as a "double escrow system" by which he knowingly concealed the 35% to 50% "referral fee" from lenders. Gekko also facilitated large payments outside of escrow between buyers and sellers. CW1 confirmed that Gekko and Loomis were dependent on each other in executing the fraud scheme.

52. I am aware that the relationship of Loomis, Gekko and LSD is the subject of a civil fraud complaint recently filed by Flagstar Bank, FSB ("Flagstar"), a federally chartered savings bank, against Gekko and Loomis for the August 2008 embezzlement of over \$9 million of escrow funds for real estate deals that never closed.² Flagstar Bank alleged that it was defrauded of an additional \$13 million, which included 22 fraudulent Florida real estate deals involving Loomis. This appears to be the source of defendant funds as described in Paragraphs 3B and 62B herein.

53. Based on Flagstar's complaint, I understand that starting in or about March 2008 and continuing through August 2008, Loomis, Loomis Wealth Solutions, Gekko, and LSD entered into a contract with Excel Funding ("Excel"), an independent mortgage company that has a warehouse line of credit³ with Flagstar, as to the following real property purchase transactions: three purchases in Bakersfield, California, in or about March 2008; eight purchases in Apache Junction, Arizona, in or about April 2008; 21 purchases of units/homes built by EH Buildings ("EH") in Fort Meyers, Port St. Lucie and LeHigh Acres in Florida in or about May 2008; and 22 purchases of condominium units/houses built by Prime Holdings Group II, LLC ("Prime") in or about July 2008. Flagstar alleged that it was the third-party beneficiary of the contractual obligations between Excel and LSD because Flagstar was the end purchaser of all the real estate loans. I have probable cause to believe that defendant funds may

²See Civil Complaint entitled Flagstar Bank, FSB v. Lender Services, Direct, Inc., et al., Superior Court of California, County of Los Angeles, Case No. BC401055, filed October 30, 2008, a true and correct copy of which is attached to this Declaration as Attachment 1, at ¶¶ 47-58.

³A warehouse line of credit is a particular line of credit used by mortgage bankers.

be ultimately traceable to Flagstar Bank and related to similar property transactions. LSD obtained the funds related to the Florida transactions described above based on false representations made by Loomis Wealth Solutions and Nationwide Lending Group. I have probable cause to believe, therefore, that LSD's subsequent transfer of the funds to the LWS Account (from which defendant funds were seized) was a violation of Title 18, United States Code, Section 1956.

54. Based on Flagstar's complaint, I understand that Loomis and Gekko with the other parties in Paragraph 53 above agreed pursuant to the contract that Excel would fund the mortgages for the purchases by Loomis' investors so long as LSD was used as an escrow agent and that Contemporary Solutions-USA, Inc. ("Contemporary") was used as a title company or agent to handle all title issues and pay off all existing liens/lenders on those properties. The written escrow instructions given to LSD and Gekko for the properties included the conditions LSD and Contemporary needed to satisfy in order for Excel to release the loan funds to be used for the closing. Flagstar alleged that, unbeknownst to Excel, LSD and Gekko falsified documents and committed other breaches in order to create the appearance that the real estate transactions had properly closed escrow, thereby causing Excel to authorize funding of each respective loan and to release funds to Contemporary. Thus Gekko and LSD wrongfully and fraudulently received funds from Contemporary in the sums of over \$4 million on the Prime properties and over \$5 million on the EH properties but have failed to return these funds to Flagstar.

55. Based on my training and experience investigating mortgage fraud and information provided to me by other agents, several interstate wires are executed during the funding of a

loan and during the closing of an escrow. When an escrow company opens escrow, a lender will wire funds into the escrow account that has been established in the names of the buyers and sellers. These lenders are located throughout the United States. Typically, the wire sent from the lender to the designated escrow company crosses state lines. Additionally, in order for the property to close escrow, the existing liens on the property need to be paid off. The most common lien on the property is the existing lien held by the financial institution or private lender. Typically, the existing liens held by these parties are paid off through a wire transfer from the escrow company.

56. Furthermore, I am familiar with the experiences of approximately 20 additional investors/victims based in Illinois, who gave their reports to the State of Illinois, Office of the Attorney General, Consumer Fraud Bureau. These individuals were victims of related schemes conducted by Loomis. The experiences that were relayed to Illinois authorities were consistent with the foregoing.

57. **Investors Left Behind.** Investigation has revealed that, by the spring of 2008, Loomis began missing multiple tax, mortgage, and insurance payments on the properties. CW1 stated that in July 2008, Loomis' property management entities had insufficient funds on approximately \$800,000 in mortgage checks that were written. Investigation has also revealed that in other circumstances, properties promised to be rented were not rented at all. CW1 stated that North State Property Management ("NSPM"), which was controlled but not owned by Loomis, managed the members' investment properties and was responsible for paying the monthly mortgage payments for members' investment properties. In July 2008, NSPM sent out between \$1.2 million to \$1.5 million

in mortgage payments. However, NSPM's Washington Mutual Bank, N.A., account did not have the sufficient funds to cover these checks. NSPM only collected \$80,000 to \$150,000 in rent from tenants. Therefore, the mortgage payment checks were drawn on accounts that contained insufficient funds, and members faced foreclosures.

58. Investors told agents that, by August 2008, Loomis had informed them that they would have to pay their own life insurance payments and cover all the mortgage, tax and insurance payments coming due on their respective properties, despite their reliance on his promises otherwise.

59. **Empty Reassurances.** Loomis advised investors that he was planning new investment funds that would rescue the company and that investors were welcome to invest in his new funds. Such funds, Loomis claimed, were not based on real estate investment, but on commodities trading. Based on my interviews of numerous victims and investors, I understand that Loomis sent letters to them reassuring them of the business model of his investment scheme. Based on my training and experience investigating Ponzi schemes, I have probable cause to believe that Loomis' representations were a ploy to keep the investors optimistic and at bay. Loomis informed the members that he had a new investment platform that would rescue them financially. However, Loomis' original scheme was, in fact, collapsing.

60. **Christopher J. Warren.** I understand that on February 3, 2009, a seven-page essay was posted which purported to be a confession by an associate of Loomis and former employee of Loomis Wealth Solutions and Nationwide Lending Group, Christopher J. Warren ("Warren"), in which Warren divulged his mortgage fraud

activities through Loomis Wealth Solutions.⁴ On February 4, 2009, Warren was charged by criminal complaint in connection with numerous fraudulent loans he processed while at Loomis Wealth Solutions and its lending entity, Nationwide Lending Group. In particular, Warren, Loomis, and others defrauded Citimortgage, a federally-insured lender, of over \$6 million in the spring of 2008. The criminal complaint and affidavit of Special Agent Fitzpatrick are attached to this Declaration as **Attachment 2** and incorporated herein by reference as if set forth in full.

VI. Defendant Funds Integrally Linked To Loomis' Fraud Scheme

61. As noted in Paragraph 3 above, defendant funds were seized on August 27, 2008, as follows:

A. The sum of approximately \$133,803.53 in U.S. Currency was seized from Washington Mutual Bank, N.A., account #4420842802, held in the name of Advantage Financial Group Holdings Management LLC (the "AFGHM Account"); and

B. The sum of approximately \$328,495.75 in United States currency was seized from Washington Mutual, N.A., account #4412174338, held in the name of Loomis Wealth Solutions LLC (the "LWS Account").

62. **The \$133,803.53 seized from the AFGHM Account.** During an interview with agents in August, 2008, CW1 stated that Loomis opened the AFGHM Account in July 2008, in the name of Advantage Financial Group Holdings Management LLC at Washington Mutual Bank, N.A. Financial records subsequently obtained from

⁴A copy of Warren's essay is attached to the Fitzpatrick affidavit in support of the criminal complaint against Warren.

Washington Mutual Bank, N.A., confirm that, on or about July 31, 2008, Loomis indeed opened the AFGHM Account.

63. On or around July 31, 2008, \$100,000 was deposited into the AFGHM Account from an investor. Financial records indicate that over the next two weeks, proceeds related to fraudulent real estate transactions in Arizona and Florida amounting to over \$50,000 were deposited into the AFGHM Account. Financial records indicate that on August 14, 2008, \$175,000 was wired from a Washington Mutual Bank, N.A., account held in the name of NARAS Secured Fund #2 (Account # 4412882171) (the "NARAS Fund Account"), into the AFGHM Account. According to financial records, the funds in the NARAS Fund Account came from NARAS Fund investors. I have probable cause to believe that all of the above funds were fraudulently obtained and that the \$133,803.53 seized from the AFGHM Account came directly from these fraud proceeds.

64. **The \$328,495.75 in United States currency from the LWS Account.** Financial records further indicate that checks in the amount of \$70,000 and \$63,000 were drawn on the AFGHM Account and deposited into the LWS Account in August, 2008. Specifically, on August 18, 2008, check number 95 was written in the amount of \$70,000, dated August 18, 2008, made payable to Loomis Wealth Solutions, and signed by Lee Loomis. These funds were transferred from the AFGHM Account into the LWS Account. Furthermore, check number 1002 was written in the amount of \$63,000, made payable to Loomis Wealth Solutions, and signed by Lee Loomis. The memo section contained the following notation: "8/20 Payroll." On August 20, 2008, the check cleared and these funds were thus also transferred from the AFGHM Account into the LWS Account.

65. On or about August 26, 2008, CW1 was once again interviewed and advised that four real property transactions that were part of the scheme described herein were in the process of closing, and that two or possibly three of those four transactions appeared to be funding that day. In the course of this interview, and at my request, CW1 returned a telephone call received earlier from CW5. CW1 advised that two transactions should have funded recently, and that the funds were wired from Lender Services Direct into the LWS Account. A representative from Washington Mutual Bank, N.A., confirmed that such wire transfer in the amount of \$320,697.50 came into the LWS Account, and that the funds were available.

66. According to financial records, on August 26, 2008, \$320,697.50 was indeed wired into the LWS Account from an account at South County Bank held in the name of Lender Services Direct, a company owned by Joseph Gekko as explained herein. I have probable cause to believe that between August 18, 2008, and the date of the seizure of defendant funds, a total of over \$450,000 in fraud proceeds was deposited into the LWS Account. I have probable cause to conclude that the \$328,495.75 seized from the LWS Account came directly from these fraud proceeds.

67. Based on the detailed information obtained from interviewing numerous victims and investors, as well as on the analyses of the facts known to date, I have probable cause to believe that the defendant funds were involved in or traceable to Loomis, Loomis Wealth Solutions and/or the NARAS Fund, all of which were permeated with fraud. I have probable cause also to believe that these entities existed merely as a means to execute a scheme to defraud and that the real property transactions CW1 described to me that were the subject of the phone call in Paragraph 65 above were part of the overall fraud scheme. I have

probable cause also to believe that the sources of defendant funds were illegal, and that the fraudulent activities of Loomis Wealth Solutions, the NARAS Fund, Loomis and his associates were the sole source of defendant funds.

I declare under penalty of perjury that the foregoing is true and correct, and that this declaration was executed on February 17, 2009, in Sacramento, California.

/s/ Kathleen Nicolls

Kathleen Nicolls
Special Agent
United States Department of Justice
Federal Bureau of Investigation

(Original signature retained by
attorney)